

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

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TO: THE COMMISSION

MAY 12 2009

2009 MAY 12 A 11:57

FROM: Utilities Division

DATE: May 12, 2009

DOCKETED BY

[Signature]

DOCKET CONTROL

RE: UNS ELECTRIC, INC. -- APPLICATION FOR APPROVAL TO REVISE ITS DSM SURCHARGE BEGINNING JUNE 1, 2009 (DOCKET NO. E-04204A-06-0783)

On March 24, 2009, UNS Electric, Inc. ("UNS Electric" or "the Company") filed an application for approval to reset its demand-side management ("DSM") adjustor rate, in accordance with Decision No. 70360.

The UNS Electric DSM adjustor mechanism allows the Company to recover the cost of its DSM programs; the adjustor is based on projected spending for the Company's DSM¹ programs. Funding for these programs is collected based on the adjustor rate approved by the Commission. Under- or over-collections are then "trued-up" at the next adjustor rate reset, meaning that the negative or positive balances are taken into account when the new adjustor rate is set.

Decision No. 70360, on May 27, 2008, established the DSM adjustor mechanism and set the current adjustor rate at \$0.000583 per kWh. Also pursuant to Decision No. 70360, UNS Electric was to file an application by April 1st of each year for Commission approval to reset the adjustor rate, with the new rate to take effect on June 1st of each year.

The Company is requesting an increase of \$0.000185 in the adjustor rate, from the current \$0.000583 per kWh to \$0.000768 per kWh. The increase is based on the projected 2009 budget for UNS Electric's DSM portfolio, less an over-collected balance of \$115,857 from 2008. The budget for Measurement, Evaluation and Research includes costs for developing a database to track program participation and savings.

Currently, the UNS Electric DSM programs include the following: (i) the Education and Outreach Program; (ii) the Low-Income Weatherization Program; (iii) the Energy Smart Homes Program; (iv) the Efficient Home Cooling Program; (v) the Shade Tree Program; (vi) the Energy Star Lighting (CFL) Program; and (vii) the Commercial Facilities Program. The proposed budget includes downward adjustments for some programs due to the current economic climate.

¹ DSM is the planning, implementation, and evaluation of programs to shift peak load to off-peak hours, to reduce peak demand ("kW") and/or to reduce energy consumption ("kWh" or "therms") in a cost-effective manner. DSM may include energy efficiency, load management, and demand response.

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The adjustor rate proposed by the Company also includes amounts for two items not yet approved by the Commission: (i) a proposed increase² in the UNS Electric CFL program budget, which was filed with the Commission on April 9, 2009, and which is based on the program's high participation rates since inception; and (ii) \$13,633 (9%)³ of the cost of the proposed Baseline Study for UNS Electric, which was filed with the Commission on March 17, 2009.

The table below details UNS Electric's proposed costs for 2009 and 2008 actual expenditures.

Program	2009 Budget	2008 Expenditures
Education and Outreach	\$130,000	\$119,277
Residential Efficiency Programs		
Low-Income Weatherization	\$117,805	\$96,171
Energy Smart Homes	\$305,444	\$89,813
Efficient Home Cooling	\$223,438	\$15,772
Shade Tree Program	\$68,285	\$2,790
Energy Star Lighting (CFL)	\$340,676	\$16,730
Non-Residential Efficiency Programs		
Commercial Facilities Efficiency	\$337,247	\$3,375
Program Totals	\$1,522,894	\$343,926
Measurement, Evaluation and Research	-0-	\$115,667 ⁴
Customer Care and Billing ("CC&B") database development	-0-	-0-
UNS Electric Baseline Study allocation	\$13,633	-0-
Totals, with MER, CC&B, Study costs	\$1,536,527	\$459,593 ⁵
Amount over-collected for 2008	(\$115,857)	
Total proposed to be collected through DSM Adjustor for 2009	\$1,420,671	

Staff recommends that the DSM adjustor rate be reset at the level proposed by the Company. The reset includes the over-collection from 2008, \$13,633 (9%) of the Baseline Study cost, and the costs projected for existing programs for 2009, including the higher budget for the CFL program. The Company has indicated that these projections are reasonable, given the level of program activity and participation. Staff's review of UNS Electric's semi-annual DSM progress report for July-December 2008, filed April 1, 2009, also indicates that the level of funding proposed by the Company is reasonable.

² From the \$231,750 originally proposed for 2009 to \$340,000.

³ The \$13,633 (9%) was originally based on a preliminary budget for the baseline study. Although the overall budget was later modified, the Company has indicated that \$13,633 remains the appropriate spending level for the 2009-2010 program year.

⁴ Includes costs of developing the CC&B database.

⁵ Total for all of 2008. \$7,282 collected through base rates prior to June 2008. Total for June-December 2008 (once the DSM Adjustor was established) was \$452,311. \$568,168 was collected through the adjustor during June-December 2008, leaving \$115,857 as the over-collected balance.

Typical monthly bill impacts for Residential customers are listed below:

Average monthly usage by Season	kWh	Monthly increase from Company proposal (\$0.000185)	Monthly total based on Company proposal (\$0.000768)
Summer	1083	\$0.20	\$0.83
Winter	665	\$0.12	\$0.51

Staff Recommendation

Staff recommends that the UNS Electric DSM adjustor rate be set at \$0.000768 per kWh, beginning June 1, 2009.



Ernest G. Johnson
Director
Utilities Division

EGJ:JMK:lhv\MAS

ORIGINATOR: Julie McNeely-Kirwan

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 KRISTIN K. MAYES
 Chairman

3 GARY PIERCE
 Commissioner

4 PAUL NEWMAN
 Commissioner

5 SANDRA D. KENNEDY
 Commissioner

6 BOB STUMP
 Commissioner

7

8 IN THE MATTER OF THE APPLICATION	}	DOCKET NO. E-04204A-06-0783
9 OF UNS ELECTRIC, INC. FOR APPROVAL		DECISION NO. _____
10 TO REVISE ITS DSM SURCHARGE		<u>ORDER</u>
11 BEGINNING JUNE 1, 2009		

10

11

12

13 Open Meeting
14 May 27 and 28, 2009
15 Phoenix, Arizona

15 BY THE COMMISSION:

16 FINDINGS OF FACT

17 1. UNS Electric, Inc. ("UNS Electric" or "the Company") is engaged in providing
18 electric power within portions of Arizona, pursuant to authority granted by the Arizona
19 Corporation Commission.

20 2. On March 24, 2009, UNS Electric filed an application for approval to reset its
21 demand-side management ("DSM") adjustor rate, in accordance with Decision No. 70360.

22 3. The UNS Electric DSM adjustor mechanism allows the Company to recover the
23 cost of its DSM programs; the DSM adjustor is based on projected spending for the Company's
24 DSM¹ programs. Funding for these programs is collected based on the adjustor rate approved by
25 the Commission. Under- or over-collections are then "trued-up" at the next adjustor rate reset,

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27 _____
28 ¹ DSM is the planning, implementation, and evaluation of programs to shift peak load to off-peak hours, to reduce
peak demand ("kW") and/or to reduce energy consumption ("kWh" or "therms") in a cost-effective manner. DSM
may include energy efficiency, load management, and demand response.

1 meaning that the negative or positive balances are taken into account when the new adjustor rate is
2 set.

3 4. Decision No. 70360, on May 27, 2008, established the DSM adjustor mechanism
4 and set the current adjustor rate at \$0.000583 per kWh. Also pursuant to Decision No. 70360,
5 UNS Electric was to file an application by April 1st of each year for Commission approval to reset
6 the adjustor rate, with the new rate to take effect on June 1st of each year.

7 5. The Company is requesting an increase of \$0.000185 in the adjustor rate, from the
8 current \$0.000583 per kWh to \$0.000768 per kWh. The increase is based on the projected 2009
9 budget for UNS Electric's DSM portfolio, less an over-collected balance of \$115,857 from 2008.
10 The budget for Measurement, Evaluation and Research includes costs for developing a database to
11 track program participation and savings.

12 6. Currently, the UNS Electric DSM programs include the following: (i) the Education
13 and Outreach Program; (ii) the Low-Income Weatherization Program; (iii) the Energy Smart
14 Homes Program; (iv) the Efficient Home Cooling Program; (v) the Shade Tree Program; (vi) the
15 Energy Star Lighting (CFL) Program; and (vii) the Commercial Facilities Program. The proposed
16 budget includes downward adjustments for some programs due to the current economic climate.
17 The adjustor rate proposed by the Company also includes amounts for two items not yet approved
18 by the Commission: (i) a proposed increase² in the UNS Electric CFL program budget, which was
19 filed with the Commission on April 9, 2009, and which is based on the program's high
20 participation rates since inception; and (ii) \$13,633 (9%)³ of the cost of the proposed Baseline
21 Study for UNS Electric, which was filed with the Commission on March 17, 2009.

22 7. The table below details UNS Electric's proposed costs for 2009 and 2008 actual
23 expenditures.

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26

27 ² From the \$231,750 originally proposed for 2009 to \$340,000.

28 ³ The \$13,633 (9%) was originally based on a preliminary budget for the baseline study. Although the overall budget was later modified, the Company has indicated that \$13,633 remains the appropriate spending level for the 2009-2010 program year.

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Amount over-collected for 2008	(\$115,857)	
Total proposed to be collected through DSM Adjustor for 2009	\$1,420,671	

8. Staff has recommended that the DSM adjustor rate be reset to include the over-collection from 2008, \$13,633 (9%) of the Baseline Study cost, and the costs projected for existing programs for 2009, including the higher budget for the CFL program. The Company has indicated that these projections are reasonable, given the level of program activity and participation. Staff's review of UNS Electric's semi-annual DSM progress report for July-December 2008, filed April 1, 2009, also indicates that the level of funding proposed by the Company is reasonable.

9. Typical monthly bill impacts for Residential customers are listed below:

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CONCLUSIONS OF LAW

1. UNS Electric is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

⁴ Includes costs of developing the CC&B database.

⁵ Total for all of 2008. \$7,282 collected through base rates prior to June 2008. Total for June-December 2008 (once the DSM Adjustor was established) was \$452,311. \$568,168 was collected through the adjustor during June-December 2008, leaving \$115,857 as the over-collected balance.

2. The Commission has jurisdiction over UNS Electric and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated May 12, 2009, and concludes that it is in the public interest to approve the UNS Electric Demand-Side Management Surcharge beginning June 1, 2009, as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the UNS Electric, Inc. DSM adjustor rate be, and hereby is, set at \$0.000768 per kWh, beginning June 1, 2009.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, MICHAEL KEARNS, Interim Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2009.

MICHAEL KEARNS
INTERIM EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EGJ:JMK:lhmm\MAS

Decision No. _____

1 SERVICE LIST FOR: UNS Electric, Inc.
2 DOCKET NO. E-04204A-0-783

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